

**ASHLAND INDEPENDENT
SCHOOL DISTRICT**

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2005**

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS



Kelley,
Galloway &
Company, PSC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for
School District Audits
Members of the Board of Education
Ashland Independent School District
Ashland, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Ashland Independent School District (the "District"), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the management of the Ashland Independent School District. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract - General Audit Requirements* and *Appendix II to the Independent Auditor's Contract - State Audit Requirements*, and *Appendix III to the Independent Auditor's Contract - Electronic Submission*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Ashland Independent School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and the Special Revenue Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2005, on our consideration of Ashland Independent School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on

compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 4 through 7 is not a required part of the basic financial statements but is supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ashland Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements and other financial statements contained on pages 33 through 43 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the schedule of expenditures of federal awards contained on pages 44 and 45 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of Ashland Independent School District. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kelley, Balloway & Company, PSC
August 17, 2005

Ashland Independent School District - Ashland, KY
Managements Discussion and Analysis (MD&A)
Year Ended June 30, 2005

As management of the Ashland Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction within the body of the financial statements.

FINANCIAL HIGHLIGHTS

The beginning unreserved general fund balance for the district was \$3,083,682.

The District completed the local facility plan in fiscal year 2003, and in line with this approved plan, the District issued bonds in the amount of \$4,810,000, in 2004, for renovation of Poage and Crabbe Elementary Schools. Construction was completed on this project in fiscal year 2005.

The District's outstanding debt, excluding KISTA, is \$7,987,470 (principal and interest combined) for the District's portion and \$4,366,805 (principal and interest combined) for the portion to be paid by the School Facilities Construction Commission at the end of fiscal year 2005.

The majority of District revenues were derived from state sources (67%) and local taxes (32%). Regular instruction, student support services, instructional support services, and school administration accounts for 80% of the District expenditures. Central support service expenditures were pupil transportation 3%, maintenance and operations 13%, and business functions 2%, with central office support, non-instructional, and fund transfers making up 2%.

The District's unrestricted operating fund (General Fund) had \$15,301,807 in revenues, excluding on-behalf payments, which consisted mainly of Ad Valorem taxes, State SEEK, and Utility tax receipts. Ad Valorem was 21%, state SEEK was 67% and Utility tax was 9%. This represents 97% of the general fund receipts. Including fund transfers, there were \$15,684,128 in general fund expenditures. These are prior to making "on-behalf" adjustments, as required by generally accepted accounting principles.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private - sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 8 - 9 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 10- 20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 - 32 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$15,164,314 for Governmental Activities, and \$506,962 for Business Type Activities as of June 30, 2005.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Assets for the period ending June 30, 2005 as compared to June 30, 2004

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Current Assets	\$ 4,194,779	\$ 6,359,884
Noncurrent Assets	<u>21,876,541</u>	<u>20,965,637</u>
Total Assets	<u>\$ 26,071,320</u>	<u>\$ 27,325,521</u>
Current Liabilities	\$ 2,067,049	\$ 1,901,193
Noncurrent Liabilities	<u>8,332,995</u>	<u>9,550,514</u>
Total Liabilities	<u>10,400,044</u>	<u>11,451,707</u>

Net Assets		
Investment in capital assets (net of debt)	12,757,541	10,793,637
Restricted for capital projects	156,034	1,981,978
Unreserved Fund Balance	2,757,701	3,098,199
Total Net Assets	\$ 15,671,276	\$ 15,873,814

FUND FINANCIAL ANALYSIS

Comments on Budget Comparisons

- ❖ The General Fund budget compared to actual revenue varied slightly from line item to line item with ending actual revenue being \$374,973 or 2.51% more than budgeted due to increased ad valorem and utility tax collections.
- ❖ Actual General Fund expenditures compared to budget expenditures, net of contingency allotments, was \$697,290 or 4.4% less than budget due to staff attrition, and realignment of salaries. However, it should be noted that expenditures did exceed revenue, for the first time in several years.

The following table presents a summary of revenue and expense, excluding transfers, for selected funds:

For the year ending June 30, 2005

Revenues:	General Fund	Special Revenue	Capital Projects	Food Service	Component Unit
Local sources	\$ 4,993,714	\$ 36,095	\$ 445,282	\$ 564,494	\$ 423,992
State sources	13,682,040	852,711	1,048,607	101,910	-
Federal sources	42,619	3,373,581	-	843,581	-
Other sources	1,549	-	-	-	-
Total Revenues	18,719,922	4,262,387	1,493,889	1,509,985	423,992
Expenses:					
Instruction	12,701,498	1,389,524	-	-	576,472
Student support	516,946	-	-	-	-
Inst. Support	772,123	2,404,314	-	-	-
District admin.	886,478	-	-	-	-
School admin.	953,021	-	-	-	-
Business support	365,593	-	-	-	-
Plant operations	2,201,694	-	-	-	-
Student transp.	550,425	12,032	-	-	-
Non-instruct.	21,529	-	-	-	-
Other	-	-	-	-	-
Community support	-	527,111	-	-	-
Debt service	62,342	-	1,390,438	-	-
Building renovation	-	-	1,910,468	-	-
Food services	-	-	-	1,456,779	-
Total expenses	19,031,649	4,332,981	3,300,906	1,456,779	576,472
Revenue over (under)					
Expenses	\$ (311,727)	\$ (70,594)	\$ (1,807,017)	\$ 53,206	\$ (152,480)

For the year ending June 30, 2004

Revenues:	General Fund	Special Revenue	Capital Projects	Food Service	Component Unit
Local sources	\$ 5,197,737	\$ 115,766	\$ 422,838	\$ 556,049	\$ 440,731
State sources	13,468,527	960,605	677,556	17,474	-
Federal sources	42,247	3,595,887	-	800,794	-
Other sources	-	32,768	9,900	-	-
Total Revenues	<u>18,708,511</u>	<u>4,705,026</u>	<u>1,110,294</u>	<u>1,374,317</u>	<u>440,731</u>

Expenses:					
Instruction	11,416,167	1,605,772	-	-	351,898
Student support	547,886	990	-	-	-
Inst. Support	602,062	2,486,993	-	-	-
District admin.	694,789	-	-	-	-
School admin.	1,191,250	-	-	-	-
Business support	363,294	-	-	-	-
Plant operations	2,454,248	-	-	-	-
Student transp.	598,624	9,070	-	-	-
Non-instruct.	71,347	-	-	-	-
Other	-	14,805	-	-	-
Community support	-	616,819	-	-	-
Debt service	62,683	-	-	-	-
Building renovation	-	-	3,208,667	-	-
Food services	-	-	-	1,333,571	-
Total expenses	<u>18,002,350</u>	<u>4,734,449</u>	<u>3,208,667</u>	<u>1,333,571</u>	<u>351,898</u>

Revenue over (under)					
Expenses	\$ 706,161	\$ (29,423)	\$(2,098,373)	\$ 40,746	\$ 88,833

FUTURE BUDGETARY IMPLICATIONS

In Kentucky, the public schools fiscal year is July 1 - June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget for 2005 - 2006 with a 5% contingency. Significant Board action that impacts the finances includes a 3% pay increase for all employees, additional spending for facility repairs outside of bonded building and renovation projects, and continued funding of Board initiatives such as the Continuous Assessment Plan, Brain Compatible Learning, and Kinderkamp programs.

Questions regarding this report should be directed to Superintendent Phil Eason or to C. Kirby Hall, Director of Business and Operations at 606-327-2706 or by mail at 1420 Central Avenue, P.O. Box 3000, Ashland, KY 41105.

ASHLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business-Type Activities	Total	Component Unit
Assets				
Cash and cash equivalents	\$ 2,372,081	\$ 229,184	\$ 2,601,265	\$ 136,434
Receivables (net of allowances for uncollectibles):				
Property taxes	147,035	-	147,035	5,407
Other	315,212	-	315,212	-
Intergovernmental - state	889,852	-	889,852	-
Intergovernmental - federal	118,823	78,830	197,653	-
Inventories	-	43,762	43,762	-
Capital assets, not being depreciated	1,210,537	-	1,210,537	-
Capital assets, being depreciated, net	20,500,450	165,554	20,666,004	-
Total assets	<u>25,553,990</u>	<u>517,330</u>	<u>26,071,320</u>	<u>141,841</u>
Liabilities				
Accounts payable	125,473	10,368	135,841	19,736
Accrued expenses	20,802	-	20,802	-
Deferred revenue	717,483	-	717,483	-
Portion due or payable within one year:				
Accrued sick leave	102,923	-	102,923	-
Bond obligations	1,090,000	-	1,090,000	-
Portion due or payable after one year:				
Accrued sick leave	303,995	-	303,995	-
Bond obligations	8,029,000	-	8,029,000	-
Total liabilities	<u>10,389,676</u>	<u>10,368</u>	<u>10,400,044</u>	<u>19,736</u>
Net Assets				
Invested in capital assets, net of related debt	12,591,987	165,554	12,757,541	-
Restricted for:				
Capital projects	156,034	-	156,034	-
Unrestricted	2,416,293	341,408	2,757,701	122,105
Total net assets	<u>\$ 15,164,314</u>	<u>\$ 506,962</u>	<u>\$ 15,671,276</u>	<u>\$ 122,105</u>

The accompanying notes to financial statements are an integral part of this statement.

**ASHLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
Instruction	\$ 14,929,549	\$ 11,041	\$ 1,282,835	\$ -	\$ (13,635,673)	\$ -	\$ (13,635,673)
Support services:							
Students	518,273	-	-	-	(518,273)	-	(518,273)
Instructional staff	3,177,954	-	2,404,314	-	(773,640)	-	(773,640)
District administration	911,950	-	-	-	(911,950)	-	(911,950)
School administration	966,269	-	-	-	(966,269)	-	(966,269)
Business and other support services	366,343	-	-	-	(366,343)	-	(366,343)
Operation and maintenance of plant	2,247,697	-	-	-	(2,247,697)	-	(2,247,697)
Student transportation	656,009	-	12,032	-	(643,977)	-	(643,977)
Community services	527,111	-	527,111	-	-	-	-
Operation of noninstructional services	31,007	-	-	-	(31,007)	-	(31,007)
Debt service	399,780	-	-	1,048,607	648,827	-	648,827
Total governmental activities	24,731,942	11,041	4,226,292	1,048,607	(19,446,002)	-	(19,446,002)
Business-type activities:							
Food service	1,456,779	542,619	945,491	-	-	31,331	31,331
Total business-type activities	1,456,779	542,619	945,491	-	-	31,331	31,331
Total primary government	\$ 26,188,721	\$ 553,660	\$ 5,171,783	\$ 1,048,607	\$ (19,446,002)	\$ 31,331	\$ (19,414,671)
Component unit:							
Public School Corporation of Ashland	\$ 576,472	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (576,472)
Independent School District	\$ 576,472	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (576,472)
Total component unit							

General revenues:

Taxes:

Property taxes, levied for general purposes

Motor vehicle

Utilities

Intergovernmental revenues:

State

Investment earnings

Gain on sale of assets

Other local revenues

Total general revenues and transfers

Change in net assets

Net assets, June 30, 2004

Net assets, June 30, 2005

\$ 3,281,591	\$ -	\$ -	\$ 3,281,591	\$ 374,045
523,453	-	-	523,453	48,062
1,400,336	-	-	1,400,336	-
13,724,659	-	-	13,724,659	-
118,097	21,875	-	139,972	-
1,549	-	-	1,549	-
140,573	-	-	140,573	1,885
19,190,258	21,875	-	19,212,133	423,992
(255,744)	53,206	-	(202,538)	(152,480)
15,420,058	453,756	-	15,873,814	274,585
\$ 15,164,314	\$ 506,962	\$ -	\$ 15,671,276	\$ 122,105

The accompanying notes to financial statements are an integral part of this statement.

**ASHLAND INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 2,686,445	\$ (489,325)	\$ 174,961	\$ 2,372,081
Receivables (net of allowances for uncollectibles):				
Taxes	147,035	-	-	147,035
Other	45,272	269,940	-	315,212
Intergovernmental - state	-	889,852	-	889,852
Intergovernmental - federal	1,877	116,946	-	118,823
Total assets	<u>\$ 2,880,629</u>	<u>\$ 787,413</u>	<u>\$ 174,961</u>	<u>\$ 3,843,003</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 55,543	\$ 69,930	\$ -	\$ 125,473
Accrued expenses	20,802	-	-	20,802
Deferred revenue	-	717,483	-	717,483
Total liabilities	<u>76,345</u>	<u>787,413</u>	<u>-</u>	<u>863,758</u>
Fund balances:				
Reserved for encumbrances	13,420	-	-	13,420
Reserved for accrued sick leave	102,923	-	-	102,923
Unreserved -				
Designated for capital expenditures	-	-	174,961	174,961
Undesignated	2,687,941	-	-	2,687,941
Total fund balances	<u>2,804,284</u>	<u>-</u>	<u>174,961</u>	<u>2,979,245</u>
Total liabilities and fund balances	<u>\$ 2,880,629</u>	<u>\$ 787,413</u>	<u>\$ 174,961</u>	<u>\$ 3,843,003</u>

The accompanying notes to financial statements are an integral part of this statement.

ASHLAND INDEPENDENT SCHOOL DISTRICT

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS**

JUNE 30, 2005

Fund balances—total governmental funds \$ 2,979,245

Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds. 21,710,987

Some liabilities, including bonds payable, are not due and
payable in the current period and therefore, are not reported in the
funds. (9,525,918)

Net assets of governmental activities \$ 15,164,314

The accompanying notes to financial statements are an integral part of this statement.

ASHLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes -				
Property	\$ 2,836,343	\$ -	\$ 445,248	\$ 3,281,591
Motor vehicles	523,453	-	-	523,453
Utilities	1,400,336	-	-	1,400,336
Tuition and fees	11,041	-	-	11,041
Interest income	118,063	-	34	118,097
Other local revenues	104,478	36,095	-	140,573
Intergovernmental - State	13,682,040	852,711	1,048,607	15,583,358
Intergovernmental - Indirect federal	-	2,711,102	-	2,711,102
Intergovernmental - Direct federal	42,619	662,479	-	705,098
Total revenues	<u>18,718,373</u>	<u>4,262,387</u>	<u>1,493,889</u>	<u>24,474,649</u>
Expenditures:				
Current:				
Instruction	12,701,498	1,389,524	-	14,091,022
Support services:				
Students	516,946	-	-	516,946
Instructional staff	772,123	2,404,314	-	3,176,437
District administration	886,478	-	-	886,478
School administration	953,021	-	-	953,021
Business and other support services	365,593	-	-	365,593
Operation and maintenance of plant	2,201,694	-	-	2,201,694
Student transportation	550,425	12,032	-	562,457
Community services	-	527,111	-	527,111
Operation of noninstructional services	21,529	-	-	21,529
Facilities acquisition and construction	-	-	1,910,468	1,910,468
Debt service	62,342	-	1,390,438	1,452,780
Total expenditures	<u>19,031,649</u>	<u>4,332,981</u>	<u>3,300,906</u>	<u>26,665,536</u>
Excess (deficiency) of revenues over expenditures	<u>(313,276)</u>	<u>(70,594)</u>	<u>(1,807,017)</u>	<u>(2,190,887)</u>
Other financing sources (uses):				
Gain on sale of assets	1,549	-	-	1,549
Transfers in	-	70,594	1,157,519	1,228,113
Transfers out	(70,594)	-	(1,157,519)	(1,228,113)
Total other financing sources and uses	<u>(69,045)</u>	<u>70,594</u>	<u>-</u>	<u>1,549</u>
Net change in fund balances	(382,321)	-	(1,807,017)	(2,189,338)
Fund balances, June 30, 2004	<u>3,186,605</u>	<u>-</u>	<u>1,981,978</u>	<u>5,168,583</u>
Fund balances, June 30, 2005	<u>\$ 2,804,284</u>	<u>\$ -</u>	<u>\$ 174,961</u>	<u>\$ 2,979,245</u>

The accompanying notes to financial statements are an integral part of this statement.

**ASHLAND INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005**

Net change in fund balances—total governmental funds \$ (2,189,338)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	2,211,426	
Depreciation expense	<u>(1,355,428)</u>	
		855,998

Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred for accrued sick leave

24,596

Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net assets.

1,053,000

Change in net assets of governmental activities

\$ (255,744)

The accompanying notes to financial statements are an integral part of this statement.

ASHLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	Food Service Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 229,184
Receivables (net of allowances for uncollectibles)	
Intergovernmental - federal	78,830
Inventories	43,762
Total current assets	<u>351,776</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>165,554</u>
Total noncurrent assets	<u>165,554</u>
Total assets	<u><u>\$ 517,330</u></u>
Liabilities	
Current liabilities:	
Accounts payable	<u>\$ 10,368</u>
Total current liabilities	<u>10,368</u>
Total liabilities	<u>10,368</u>
Net Assets	
Unrestricted	<u>506,962</u>
	<u>506,962</u>
Total net assets	<u><u>\$ 517,330</u></u>

The accompanying notes to financial statements are an integral part of this statement.

ASHLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Food Service Fund
Operating revenues:	
Lunchroom sales	\$ 542,619
Total operating revenues	<u>542,619</u>
Operating expenses:	
Salaries and wages	555,371
Employee benefits	174,484
Materials and supplies	581,975
Depreciation	24,825
Other operating expenses	120,124
Total operating expenses	<u>1,456,779</u>
Operating loss	<u>(914,160)</u>
Nonoperating revenues :	
Federal grants	776,430
Investment income	21,875
Donated commodities	67,151
State grants	101,910
Total nonoperating revenue	<u>967,366</u>
Increase in net assets	53,206
Net assets, June 30, 2004	<u>453,756</u>
Net assets, June 30, 2005	<u><u>\$ 506,962</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**ASHLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

	Food Service Fund
Cash flows from operating activities:	
Cash received from:	
Lunchroom sales	\$ 542,619
Cash paid to/for:	
Payments to suppliers and providers of goods and services	(512,470)
Payments to employees	(729,855)
Other payments	(120,124)
Net cash provided by (used for) operating activities	<u>(819,830)</u>
Cash flows from noncapital financing activities:	
Government grants	860,821
Net cash provided by noncapital and related financing activities	<u>860,821</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	(79,731)
Net cash used for capital and related financing activities	<u>(79,731)</u>
Cash flows from investing activities:	
Interest received on investments	21,875
Net cash provided by investing activities	<u>21,875</u>
Net decrease in cash and cash equivalents	(16,865)
Cash and cash equivalents, June 30, 2004	<u>246,049</u>
Cash and cash equivalents, June 30, 2005	<u>\$ 229,184</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (914,160)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	24,825
Donated commodities	67,151
Change in assets and liabilities:	
Inventory	(7,991)
Accounts payable	10,345
Net cash provided by (used for) operating activities	<u>\$ (819,830)</u>
Non-cash items:	
Donated commodities	<u>\$ 67,151</u>

The accompanying notes to financial statements are an integral part of this statement.

ASHLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

	Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 12,756	\$ 366,818
Accounts receivable	-	-
Total assets	<u>12,756</u>	<u>366,818</u>
Liabilities		
Accounts payable	-	2,852
Due to students	-	363,966
Total liabilities	<u>-</u>	<u>366,818</u>
Net assets held in trust	<u><u>\$ 12,756</u></u>	<u><u>\$ -</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**ASHLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Trust Funds</u>
Additions -	
Interest income	\$ 181
Deductions -	
Benefits paid	<u>500</u>
Change in net assets	(319)
Net assets, June 30, 2004	<u>13,075</u>
Net assets, June 30, 2005	<u><u>\$ 12,756</u></u>

The accompanying notes to financial statements are an integral part of this statement.

ASHLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues:				
Taxes -				
Property	\$ 2,800,000	\$ 2,780,000	\$ 2,836,343	\$ 56,343
Motor vehicles	475,000	500,000	523,453	23,453
Utilities	1,100,000	1,200,000	1,400,336	200,336
Tuition and fees	17,191	23,222	11,041	(12,181)
Interest income	90,000	70,000	118,063	48,063
Other local revenues	35,000	35,000	104,478	69,478
Intergovernmental - State	10,208,749	10,283,612	10,263,925	(19,687)
Intergovernmental - Direct federal	35,000	35,000	42,619	7,619
Total revenues	<u>14,760,940</u>	<u>14,926,834</u>	<u>15,300,258</u>	<u>373,424</u>
Expenditures:				
Current:				
Instruction	9,682,109	10,074,319	9,748,267	326,052
Support services:				
Students	448,967	522,248	432,422	89,826
Instructional staff	484,134	703,451	772,123	(68,672)
General administration	2,110,371	805,324	865,347	(60,023)
School administration	934,779	970,669	805,103	165,566
Business and other support services	319,745	378,582	344,462	34,120
Operation and maintenance of plant	1,983,375	2,182,754	2,053,776	128,978
Student transportation	413,676	551,060	508,163	42,897
Operation of noninstructional services	104,448	71,253	21,529	49,724
Debt service	29,336	62,342	62,342	-
Contingency	-	1,629,098	-	1,629,098
Total expenditures	<u>16,510,940</u>	<u>17,951,100</u>	<u>15,613,534</u>	<u>2,337,566</u>
Excess (deficiency) of revenues over expenditures	<u>(1,750,000)</u>	<u>(3,024,266)</u>	<u>(313,276)</u>	<u>2,710,990</u>
Other financing sources (uses):				
Gain on sale of assets	-	-	1,549	1,549
Transfers out	-	(59,416)	(70,594)	(11,178)
Total other financing sources and uses	<u>-</u>	<u>(59,416)</u>	<u>(69,045)</u>	<u>(9,629)</u>
Net change in fund balances	<u>(1,750,000)</u>	<u>(3,083,682)</u>	<u>(382,321)</u>	<u>2,701,361</u>
Fund balances, June 30, 2004	<u>1,750,000</u>	<u>3,083,682</u>	<u>3,186,605</u>	<u>102,923</u>
Fund balances, June 30, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,804,284</u>	<u>\$ 2,804,284</u>
Adjustments to Generally Accepted Accounting Principles -				
Intergovernmental State Revenue			\$ 3,418,115	
On-behalf payments:				
Instruction			(2,953,231)	
Support services:				
Students			(84,524)	
General administration			(21,131)	
School administration			(147,918)	
Business and other support services			(21,131)	
Operation and maintenance of plant			(147,918)	
Student transportation			(42,262)	
Fund balance, June 30, 2005 (GAAP basis)			<u>\$ 2,804,284</u>	

The accompanying notes to financial statements are an integral part of this statement.

ASHLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Interest income	\$ -	\$ -	\$ -	\$ -
Other local revenues	67,523	(1,036)	36,095	37,131
Intergovernmental - State	736,291	718,536	852,711	134,175
Intergovernmental - Indirect federal	2,371,414	2,843,005	2,711,102	(131,903)
Intergovernmental - Direct federal	733,578	785,203	662,479	(122,724)
Total revenues	<u>3,908,806</u>	<u>4,345,708</u>	<u>4,262,387</u>	<u>(83,321)</u>
Expenditures:				
Current:				
Instruction	1,095,528	1,128,022	1,389,524	(261,502)
Support services:				
Students	1,000	1,294	-	1,294
Instructional staff	2,294,640	2,902,970	2,404,314	498,656
General administration	-	-	-	-
School administration	-	6,135	-	6,135
Business and other support services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	5,345	12,032	(6,687)
Community services	521,690	553,388	527,111	26,277
Operation of non-instructional services	25,284	-	-	-
Total expenditures	<u>3,938,142</u>	<u>4,597,154</u>	<u>4,332,981</u>	<u>264,173</u>
Excess (deficiency) of revenues over expenditures	<u>(29,336)</u>	<u>(251,446)</u>	<u>(70,594)</u>	<u>180,852</u>
Other financing sources (uses):				
Transfers in	29,336	70,594	70,594	-
Transfers out	-	-	-	-
Total other financing sources and uses	<u>29,336</u>	<u>70,594</u>	<u>70,594</u>	<u>-</u>
Net change in fund balances	-	(180,852)	-	180,852
Fund balances, June 30, 2004	<u>-</u>	<u>180,852</u>	<u>-</u>	<u>-</u>
Fund balances, June 30, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 180,852</u>

The accompanying notes to financial statements are an integral part of this statement.

ASHLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

(1) REPORTING ENTITY

The Ashland Independent Board of Education (Board"), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Ashland Independent School District (the "District"). The District receives funding from local, state and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The Board, for financial purposes, includes all of the funds and account groups relevant to the operation of the Ashland Independent School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the Board include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organizations are included in the accompanying financial statements. Copies of component unit reports may be obtained from the District's Finance Office at 1420 Central Avenue, Ashland, Kentucky 41101.

Blended Component Unit:

Ashland Independent School District Finance Corporation

In 1989, the Ashland Independent School District resolved to authorize the establishment of the Ashland Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

Discretely Presented Component Unit:

Public School Corporation of Ashland Independent School District

The Board formed this component unit as a nonstock, non-profit corporation to be its agency and instrumentality. Its purpose in this capacity is to finance the acquisition of properties for public school, junior college or community college uses and in furtherance of public purposes and functions of the Board.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Ashland Independent School District substantially comply with generally accepted accounting principles and the rules prescribed by the Kentucky Department of Education for local school districts.

Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements provide information about the primary government (the District). The statements include a statement of net assets and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses to programs or functions. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use.

- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 3. The School Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- (D) The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Funds (Enterprise Fund)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Type (includes Agency and Trust Funds)

The Activity Funds account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with *Uniform Program of Accounting for School Activity Funds*. The Trust Funds represent scholarship funds and are accounted for as expendable trust funds on the modified accrual basis.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Government funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions - Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the

accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditure) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

Cash and Cash Equivalents

The Board considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less to be cash equivalents.

Inventories

Supplies and materials are charged to expenditures when purchased, with the exception of the Proprietary Fund, which records inventory at cost, on the first-in, first-out basis, using the accrual method of accounting.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

All reported capital assets are depreciated with the exception of land. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	25-50 years
Infrastructure	20 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	5-12 years
Other general	7-10 years

Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. The District's ad valorem tax is levied prior to June 30, of each year on the assessed value listed as of the prior January 1, for all real and business personal property located in the District. The assessed value of property upon which the levy for the 2005 fiscal year was based was \$890,496,890.

The tax rates assessed for the year ended June 30, 2005 to finance general fund operations were \$.488 on real estate and \$.564 on motor vehicles per \$100 valuation. These rates include \$.05 per \$100 valuation for Junior College Tax.

Taxes are due on October 1 and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended June 30, 2005 were approximately 86% of the tax levy.

In-Kind

Local contributions, which include contributed services provided by individuals, private organizations and local governments, are used to match federal and state administered funding on various grants. The District also receives commodities from U.S.D.A. The amounts of such services and commodities are recorded in the accompanying financial statements at their estimated fair market values.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major difference between the budgetary basis and the GAAP basis is that on-behalf payments made by the state for the District are not budgeted. See note (13) for these amounts which were not known by the District at the time the budget was adopted.

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, only amendments that aggregate greater than \$50,000 require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, all payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for fixed assets.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating

revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(3) DEBT OBLIGATIONS

The amount shown in the accompanying financial statements as debt obligations represents the District's future obligations to make lease payments relating to bonds and a KISTA loan issued in the original amount of \$16,200,000.

Bonds

The General Fund, Facilities Support Program (FSPK) Fund and the SEEK Capital Outlay Fund are obligated to make lease payments. The lease agreements provide among other things, (1) for rentals sufficient to satisfy debt service requirements on bonds issued by the Fiscal Court and the Board to construct school facilities and (2) the Board with the option to purchase the properties under leases at any time by retiring the bonds then outstanding. The proceeds from certain refunding issues have been placed in escrow accounts to be used to service the related debt.

The original amount of present outstanding issues, the issue date, and interest rates are summarized below:

<u>Issue Date</u>	<u>Interest Original Amount</u>	<u>Rates</u>
Issue of 12-1-92	\$ 6,670,000	5.15% to 5.375%
Issue of 5-1-99	2,370,000	3.50% to 4.70%
KISTA Loan	500,000	4.15% to 4.70%
Issue of 4-1-01	1,850,000	3.40% to 4.10%
Issue of 1-1-04	4,810,000	2.00% to 4.25%
	<u>\$ 16,200,000</u>	

The bonds may be called prior to maturity at dates and redemption premiums specified in the issues.

A summary of long-term debt and other long-term liabilities is as follows:

<u>Description</u>	<u>Balance at June 30, 2004</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance at June 30, 2005</u>
General obligation bonds – \$15,700,000 originally issued with interest rates ranging from 3.40% to 5.375%	\$ 9,945,000	\$ -	\$1,000,000	\$ 8,945,000
KISTA Loan Improvement	227,000	-	53,000	174,000
Accumulated unpaid sick leave	431,514	-	24,596	406,918
	<u>\$ 10,603,514</u>	<u>\$ -</u>	<u>\$1,077,596</u>	<u>\$ 9,525,918</u>

In connection with the bond issues, the District entered into participation agreements with the Kentucky School Facilities Construction Commission, whereby the Commission has agreed to provide amounts on an annual basis (reflected in the following table) toward the payment of principal and interest requirements on the bonds. The agreements are in effect for a period of two years each. The obligations of the Commission to make said payments shall automatically renew every two years, unless the Commission provides the District notice of its intention not to participate within sixty days prior to the expiration of the two year period.

Assuming no bonds are called prior to scheduled maturity and the KSFCC continues to renew its participation to provide annual principal and interest amounts, the minimum obligations of the Funds at June 30, 2005 for debt service (principal and interest) are as follows:

June 30,	Kentucky School Facilities Construction Commission's Portion		District's Portion		Total
	Interest	Principal	Interest	Principal	
2006	\$ 121,282	\$ 215,051	\$ 228,044	\$ 874,949	\$ 1,439,326
2007	114,898	154,559	201,821	293,441	764,719
2008	110,042	159,415	190,786	306,585	766,828
2009	104,812	164,644	180,658	255,356	705,470
2010	99,197	170,259	171,458	264,741	705,655
2011-2015	398,642	880,046	701,844	1,364,954	3,345,486
2016-2020	212,316	911,570	414,769	1,498,430	3,037,085
2021-2024	53,194	496,878	118,033	1,108,122	1,776,227
	<u>\$ 1,214,383</u>	<u>\$ 3,152,422</u>	<u>\$ 2,207,413</u>	<u>\$ 5,966,578</u>	<u>\$ 12,540,796</u>

(4) ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2005, this amount totaled \$406,918. The District follows a policy of funding up to one-half of the total amount accrued as a reservation of the General Fund balance.

(5) RETIREMENT PLANS

Kentucky Retirement System

The District contributes to the Kentucky Teachers Retirement System ("KTRS"), a cost-sharing, multiple-employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). The KTRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Kentucky Teachers Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601-3868 or by calling (502) 573-5120.

Funding for KTRS is provided by eligible employees who contribute 9.855% of their salary through payroll deductions and by the Commonwealth of Kentucky through matching contributions at the rate of 13.105%. The contribution requirements of KTRS members and the District are established and may be amended by Kentucky Revised Statutes and the KTRS Board of Trustees. The federal program for any salaries paid by that program pays the matching contributions. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by the Kentucky Department of Education (KDE).

Contributions to KTRS made on behalf of the District by the Commonwealth of Kentucky for the year ended June 30, 2005, were \$1,389,529, and the Board paid \$180,634 from federal grant monies to KTRS in matching contributions for federally funded employees for a total of \$1,570,163 paid to KTRS, equal to the required contribution for the year.

County Employees Retirement System

Substantially all other employees of the District participate in the County Employees Retirement System ("CERS"). CERS is a cost-sharing, multiple-employer, defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by calling (502) 564-4646.

Funding for CERS is provided by members who contribute 5% of their salary through payroll deductions and by employers of members who contribute 8.48% of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees. The District's contributions to CERS for the year ending June 30, 2005 were \$336,681, equal to the required contributions for the year.

(6) CASH AND CASH EQUIVALENTS

The funds of the District must be deposited and invested under the terms of a contract. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At June 30, 2005, the carrying amount of the Board's cash and cash equivalents was \$3,117,273 and the related bank balances totaled \$3,277,828. Of these total bank balances, \$357,137 was insured by the Bank Insurance Fund and \$2,920,691 was secured by collateral held by the pledging bank in the District's name.

Due to the nature of the accounts and certain limitations imposed on the use of funds, each bank account within the following funds is considered to be restricted: SEEK Capital Outlay Fund, Facility Support Program (FSPK) Fund, Special Revenue (Grant Funds), Debt Service Fund, School Construction Fund, School Food Service Funds, and School Activity Funds.

(7) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

<u>Governmental Activities</u>	<u>June 30, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2005</u>
Land and land improvements	\$ 979,287	\$ 231,250	\$ -	\$ 1,210,537
Buildings and improvements	49,662,848	4,413,458	-	54,076,306
Technology equipment	2,792,368	185,495	170,900	2,806,963
Vehicles	1,254,543	76,263	-	1,330,806
General	1,159,012	2,080	-	1,161,092
Infrastructure	12,698	-	-	12,698
Construction-in-progress	2,690,062	-	2,690,062	-
Totals at historical cost	<u>58,550,818</u>	<u>4,908,546</u>	<u>2,860,962</u>	<u>60,598,402</u>

Less: accumulated depreciation -				
Land improvements	-	(176)	-	(176)
Buildings and improvements	(33,593,684)	(959,555)	-	(34,553,239)
Technology equipment	(2,266,597)	(260,639)	(163,842)	(2,363,293)
Vehicles	(958,813)	(67,761)	-	(1,026,574)
General	(875,928)	(66,662)	-	(942,590)
Infrastructure	(807)	(635)	-	(1,442)
Total accumulated depreciation	<u>(37,695,829)</u>	<u>(1,355,428)</u>	<u>(163,842)</u>	<u>(38,887,415)</u>

Governmental Activities				
Capital Assets - Net	<u>\$ 20,854,989</u>	<u>\$ 3,553,118</u>	<u>\$ 2,697,120</u>	<u>\$ 21,710,987</u>

Business-Type Activities				
Food service equipment	<u>\$ 738,379</u>	<u>\$ 80,048</u>	<u>\$ 14,850</u>	<u>\$ 803,577</u>
Totals at historical cost	<u>738,379</u>	<u>80,048</u>	<u>14,850</u>	<u>803,577</u>

Less: accumulated depreciation				
Food service equipment	<u>(627,731)</u>	<u>(24,825)</u>	<u>(14,533)</u>	<u>(638,023)</u>
Total accumulated depreciation	<u>(627,731)</u>	<u>(24,825)</u>	<u>(14,533)</u>	<u>(638,023)</u>

Business-Type Activities				
Capital Assets - Net	<u>\$ 110,648</u>	<u>\$ 55,223</u>	<u>\$ 317</u>	<u>\$ 165,554</u>

Depreciation expense was allocated to governmental functions as follows:

Instruction	\$ 1,164,081
Student support services	1,327
Instructional staff support	1,517
District administration	25,472
School administration	13,248
Business support services	750
Plant operation & maintenance	46,003
Student transportation	93,552
Operation of noninstructional services	9,478
	<u>\$ 1,355,428</u>

(8) OPERATING LEASES

The District has operating lease agreements for use of equipment and various parcels of real estate cancelable annually with the option to renew. The District recognizes the expenditures related to those obligations in the General Fund as lease payments are made. Total rent expenditures under operating type leases were approximately \$9,000.

(9) CONTINGENCIES

The District receives funding from Federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

The District is subject to certain legal proceedings arising from normal business activities. Administrative officials believe that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the accompanying financial statements.

(10) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency).

(12) ON-BEHALF PAYMENTS

For fiscal year 2005, the Commonwealth of Kentucky contributed estimated payments on behalf of the Ashland Independent School District as follows:

<u>Plan/Description</u>	<u>Amount</u>
Kentucky Teachers Retirement System	\$ 1,389,529
Health & Life Insurance Plan	2,113,111

These amounts are included in the financial statements as state revenue and an expense allocated to the different functions in the same proportion as full-time employees.

(13) TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General	Special Revenue	Technology Match	\$ 40,594
Debt Service	Capital Projects	Debt Service	Debt Service	1,054,104
Debt Service	General	Special Revenue	Textbook Project	30,000

SUPPLEMENTAL INFORMATION

**ASHLAND INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005**

	Non-Major Capital Project Funds	Debt Service Funds	Total Non-Major Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ 156,034	\$ 18,927	\$ 174,961
Accounts receivable	-	-	-
Total assets	<u>\$ 156,034</u>	<u>\$ 18,927</u>	<u>\$ 174,961</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Unreserved - designated for capital expenditures	156,034	18,927	174,961
Reserved for encumbrances	-	-	-
Total fund balance	<u>156,034</u>	<u>18,927</u>	<u>174,961</u>
Total liabilities and fund balances	<u>\$ 156,034</u>	<u>\$ 18,927</u>	<u>\$ 174,961</u>

**ASHLAND INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

	Non-Major Capital Project Funds	Debt Service Funds	Total Non-Major Governmental Funds
REVENUES:			
From local sources -			
Property taxes	\$ 445,248	\$ -	\$ 445,248
Earnings on investments	-	34	34
Intergovernmental - State	712,272	336,335	1,048,607
Total revenues	<u>1,157,520</u>	<u>336,369</u>	<u>1,493,889</u>
EXPENDITURES:			
Current -			
Facilities acquisition and construction	1,910,468	-	1,910,468
Debt service	-	1,390,438	1,390,438
Total expenditures	<u>1,910,468</u>	<u>1,390,438</u>	<u>3,300,906</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(752,948)</u>	<u>(1,054,069)</u>	<u>(1,807,017)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	103,415	1,054,104	1,157,519
Operating transfers out	<u>(1,157,519)</u>	<u>-</u>	<u>(1,157,519)</u>
Total other financing sources (uses)	<u>(1,054,104)</u>	<u>1,054,104</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(1,807,052)	35	(1,807,017)
FUND BALANCE JUNE 30, 2004	<u>1,963,086</u>	<u>18,892</u>	<u>1,981,978</u>
FUND BALANCE JUNE 30, 2005	<u>\$ 156,034</u>	<u>\$ 18,927</u>	<u>\$ 174,961</u>

**ASHLAND INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2005**

	FSPK Fund	SEEK Funds	Construction Fund	Total Non-Major Capital Project Funds
ASSETS:				
Cash and cash equivalents	\$ -	\$ -	\$ 156,034	\$ 156,034
Accounts receivable	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 156,034</u>	<u>\$ 156,034</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Unreserved - designated for capital expenditures	-	-	156,034	156,034
Total fund balance	<u>-</u>	<u>-</u>	<u>156,034</u>	<u>156,034</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 156,034</u>	<u>\$ 156,034</u>

**ASHLAND INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

	FSPK Fund	SEEK Funds	Construction Fund	Total Non-major Capital Project Funds
REVENUES:				
From local sources -				
Property taxes	\$ 445,248	\$ -	\$ -	\$ 445,248
Intergovernmental - State	418,112	294,160	-	712,272
Total revenues	<u>863,360</u>	<u>294,160</u>	<u>-</u>	<u>1,157,520</u>
EXPENDITURES:				
Current -				
Facilities acquisition and construction	1	-	1,910,467	1,910,468
Total expenditures	<u>1</u>	<u>-</u>	<u>1,910,467</u>	<u>1,910,468</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>863,359</u>	<u>294,160</u>	<u>(1,910,467)</u>	<u>(752,948)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	103,415	103,415
Operating transfers out	(863,359)	(294,160)	-	(1,157,519)
Total other financing sources (uses)	<u>(863,359)</u>	<u>(294,160)</u>	<u>103,415</u>	<u>(1,054,104)</u>
NET CHANGE IN FUND BALANCE	-	-	(1,807,052)	(1,807,052)
FUND BALANCE JUNE 30, 2004	<u>-</u>	<u>-</u>	<u>1,963,086</u>	<u>1,963,086</u>
FUND BALANCE JUNE 30, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 156,034</u>	<u>\$ 156,034</u>

**ASHLAND INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

	1/1/2004 Bond Fund	4/1/2001 Bond Fund	5/1/1999 Bond Fund	2/1/1992 Bond Fund	3/1/1992 Bond Fund	12/1/1992 Bond Fund	Totals Debt Service Fund
ASSETS:							
Cash and cash equivalents	\$ -	\$ 13,273	\$ 538	\$ 471	\$ 267	\$ 4,378	\$ 18,927
Accounts receivable	-	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 13,273</u>	<u>\$ 538</u>	<u>\$ 471</u>	<u>\$ 267</u>	<u>\$ 4,378</u>	<u>\$ 18,927</u>
LIABILITIES AND FUND BALANCE:							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:							
Unreserved - designated for capital expenditures	-	13,273	538	471	267	4,378	18,927
Total fund balance	<u>-</u>	<u>13,273</u>	<u>538</u>	<u>471</u>	<u>267</u>	<u>4,378</u>	<u>18,927</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 13,273</u>	<u>\$ 538</u>	<u>\$ 471</u>	<u>\$ 267</u>	<u>\$ 4,378</u>	<u>\$ 18,927</u>

**ASHLAND INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

	1/1/2004 Bond Fund	4/1/2001 Bond Fund	5/1/1999 Bond Fund	2/1/1992 Bond Fund	3/1/1992 Bond Fund	12/1/1992 Bond Fund	Totals Debt Service Fund
REVENUES:							
Intergovernmental - State	\$ 137,519	\$ 22,866	\$ 109,073	\$ -	\$ -	\$ 66,877	\$ 336,335
Interest income	-	32	(8)	-	-	10	34
Total revenues	<u>137,519</u>	<u>22,898</u>	<u>109,065</u>	<u>-</u>	<u>-</u>	<u>66,887</u>	<u>336,369</u>
EXPENDITURES:							
Debt service	245,906	187,080	156,446	-	-	801,006	1,390,438
Total expenditures	<u>245,906</u>	<u>187,080</u>	<u>156,446</u>	<u>-</u>	<u>-</u>	<u>801,006</u>	<u>1,390,438</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(108,387)</u>	<u>(164,182)</u>	<u>(47,381)</u>	<u>-</u>	<u>-</u>	<u>(734,119)</u>	<u>(1,054,069)</u>
OTHER FINANCING SOURCES (USES):							
Operating transfers in	108,387	164,214	47,373	-	-	734,130	1,054,104
Total other financing sources (uses)	<u>108,387</u>	<u>164,214</u>	<u>47,373</u>	<u>-</u>	<u>-</u>	<u>734,130</u>	<u>1,054,104</u>
NET CHANGE IN FUND BALANCE	-	32	(8)	-	-	11	35
FUND BALANCE JUNE 30, 2004	<u>-</u>	<u>13,241</u>	<u>546</u>	<u>471</u>	<u>267</u>	<u>4,367</u>	<u>18,892</u>
FUND BALANCE JUNE 30, 2005	<u>\$ -</u>	<u>\$ 13,273</u>	<u>\$ 538</u>	<u>\$ 471</u>	<u>\$ 267</u>	<u>\$ 4,378</u>	<u>\$ 18,927</u>

**ASHLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY FUNDS
PAUL BLAZER HIGH SCHOOL
FOR THE YEAR ENDED JUNE 30, 2005**

	Cash Balance June 30, 2004	Receipts	Disburse- ment	Cash Balance June 30, 2005	Accounts Payable	Deposits Held in Custody for Students June 30, 2005
Academic Quiz	\$ 1,080	\$ 156	\$ 941	\$ 295	\$ -	\$ 295
Academic Travel	4,362	-	4,338	24	-	24
Advanced Placement	6,959	17,830	17,341	7,448	-	7,448
Art Club	50	25	-	75	-	75
Art Supplies	7,090	99	2,505	4,684	-	4,684
Beta Club	952	2,792	2,634	1,110	-	1,110
Blazer Band	1,630	5,800	7,172	258	-	258
Blazer Choir	19	9,384	7,553	1,850	-	1,850
Blazer Musical Fund	2,638	23,580	25,680	538	-	538
Blazer Spec. Projects	11	-	11	-	-	-
Cat's Design	268	-	215	53	-	53
Catering	1,380	10,076	10,324	1,132	-	1,132
Class of 2004	293	-	293	-	-	-
Class of 2005	3,656	6,240	9,194	702	-	702
Class of 2006	2,247	12,502	11,207	3,542	-	3,542
Class of 2007	520	3,208	968	2,760	-	2,760
Class of 2008	-	520	342	178	-	178
Close Up	22	1,200	1,200	22	-	22
Co-Op Class	272	3,121	2,736	657	-	657
Coke & Pepsi	-	6,313	4,996	1,317	-	1,317
Creative Writing	833	-	165	668	-	668
Economics America	85	-	85	-	-	-
Environmental Club	62	1,250	36	1,276	-	1,276
FBLA	335	6,391	6,451	275	-	275
FCA	378	-	275	103	-	103
FHA	126	1,793	1,433	486	-	486
Flower Fund	111	248	206	153	-	153
4-H Club	163	-	163	-	-	-
French Club	4	187	115	76	-	76
French Honor Society	19	300	268	51	-	51
Future Teachers	590	-	-	590	-	590
General	5,763	9,813	7,650	7,926	-	7,926
Guidance	248	1,143	1,162	229	-	229
Hi Life	18,936	10,600	4,706	24,830	-	24,830
Home Ec.	21	281	140	162	-	162
Human Relations Club	791	841	1,015	617	-	617
Ind. Tech. Supplies	36	669	387	318	-	318
Key Club	1,646	6,703	6,119	2,230	(200)	2,030
Latin Club	16	1,800	1,720	96	-	96
Latin Honorary	16	160	129	47	-	47
Leadership Team	162	-	162	-	-	-
Library	1,058	703	1,629	132	-	132

**ASHLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY FUNDS
PAUL BLAZER HIGH SCHOOL - CONCLUDED
FOR THE YEAR ENDED JUNE 30, 2005**

	Cash Balance June 30, 2004	Receipts	Disburse- ment	Cash Balance June 30, 2005	Accounts Payable	Deposits Held in Custody for Students June 30, 2005
Mu Alpha Theta	196	180	295	81	-	81
National Honor Society	491	2,493	1,869	1,115	-	1,115
Rental Fee Paid	449	23,405	22,022	1,832	-	1,832
ROTC	1,413	5,992	5,521	1,884	-	1,884
Salmon Art	105	1,656	1,710	51	-	51
Science Club	674	37	227	484	-	484
Spanish Club	316	16	-	332	-	332
Spanish Honor Society	710	764	915	559	-	559
Sports Medicine Club	1,620	645	963	1,302	-	1,302
STLP	250	689	542	397	-	397
State Textbook	2,553	4,337	3,751	3,139	-	3,139
Student Council	1,279	8,130	6,682	2,727	-	2,727
Sweethearts	-	4,578	4,578	-	-	-
Teacher Pop Machines	1,442	1,654	1,071	2,025	-	2,025
Theater Arts	1,842	4,090	3,063	2,869	-	2,869
Transcript Fund	991	819	307	1,503	-	1,503
TSA	3	4,007	2,908	1,102	(780)	322
Video Club	1,270	1,077	1,572	775	-	775
	<u>\$ 80,452</u>	<u>\$ 210,297</u>	<u>\$ 201,662</u>	<u>\$ 89,087</u>	<u>\$ (980)</u>	<u>\$ 88,107</u>

ASHLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ATHLETIC FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Cash Balance			Cash Balance	Accounts	Deposits Held in Custody for Students
	June 30, 2004	Receipts	Disbursements	June 30, 2005	Payable	June 30, 2005
A.K.I.T.	\$ 7,257	\$ 3,605	\$ 4,724	\$ 6,138	\$ -	\$ 6,138
Ashland Inv. Tournament	10,994	16,141	14,429	12,706	-	12,706
Athletic - General	13,159	234,104	231,460	15,803	(897)	14,906
Baseball Fundraiser	1,855	16,475	16,495	1,835	-	1,835
Boys Cheer Fund	1,494	10,621	8,697	3,418	-	3,418
Boys Golf	644	250	-	894	-	894
Boys Soccer Fund	710	20	658	72	-	72
Boys Tennis Fund	441	-	441	-	-	-
Boys Track Fund	1,846	4,607	6,034	419	-	419
Cross Country Fund	1,193	8,735	6,925	3,003	-	3,003
Girls Cheer Fund	920	5,796	5,821	895	-	895
Girls Golf Fund	2,817	1,067	-	3,884	-	3,884
Girls Soccer Fund	15,741	-	59	15,682	-	15,682
Girls Tennis Fund	110	-	-	110	-	110
Girls Track Fund	1,314	1,894	2,417	791	-	791
Girls Varsity B.B. Fund	3,046	6,020	6,035	3,031	-	3,031
Primary B.B. League	916	-	869	47	-	47
Scholarship - Volleyball	750	-	400	350	-	350
Softball Fundraiser	496	5,532	6,028	-	-	-
Swim Team Fund	1,505	2,381	3,253	633	-	633
Tomcat Basketball Camp	-	5,409	3,917	1,492	-	1,492
Varsity B.B. Fundraiser	424	6,290	6,164	550	-	550
Varsity F.B. Fundraiser	21	2,752	2,420	353	-	353
Volleyball Fund	1,691	5,919	5,582	2,028	(975)	1,053
Wrestling Fund	742	877	-	1,619	-	1,619
	<u>\$ 70,086</u>	<u>\$ 338,495</u>	<u>\$ 332,828</u>	<u>\$ 75,753</u>	<u>\$ (1,872)</u>	<u>\$ 73,881</u>

**ASHLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

	Cash Balance June 30, 2004	Receipts	Disbursements	Cash Balance June 30, 2005	Accounts Payable	Deposits Held in Custody for Students June 30, 2005
Paul G. Blazer High School	\$ 80,452	\$ 210,297	\$ 201,662	\$ 89,087	\$ (980)	\$ 88,107
George M. Verity Middle School	71,693	233,078	250,560	54,211	-	54,211
Charles Russell Elementary School	14,384	41,211	34,281	21,314	-	21,314
Crabbe Elementary School	5,954	41,122	37,105	9,971	-	9,971
Hager Elementary School	17,971	42,106	39,533	20,544	-	20,544
Hatcher Elementary School	3,272	20,799	18,689	5,382	-	5,382
Oakview Elementary School	16,590	40,785	35,094	22,281	-	22,281
Poage Elementary School	8,240	31,930	30,844	9,326	-	9,326
Family Resource Center	67,433	121,034	129,518	58,949	-	58,949
Athletic Funds	70,086	338,495	332,828	75,753	(1,872)	73,881
	<u>\$ 356,075</u>	<u>\$ 1,120,857</u>	<u>\$ 1,110,114</u>	<u>\$ 366,818</u>	<u>\$ (2,852)</u>	<u>\$ 363,966</u>

**ASHLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF GRANT, RECEIPTS,
DISBURSEMENTS AND FUND BALANCE
HEAD START GRANTS
FOR THE YEAR ENDED JUNE 30, 2005**

	Headstart Grant No. 04CH002769/35			Headstart Grant No. 04CH002769/35	
AMOUNT OF GRANT			<u>\$ 783,870</u>		<u>\$ 790,834</u>
	Budget	Actual Prior Year	Actual Current Year	Total	Budget Actual
RECEIPTS:					
Grant funds	\$ 783,870	\$ 573,000	\$ 179,864	\$ 752,864	\$ 790,834 \$ 373,000
Grantee's in kind contributions	195,967	195,967	-	195,967	189,643 189,643
Total receipts	<u>979,837</u>	<u>768,967</u>	<u>179,864</u>	<u>948,831</u>	<u>980,477</u> <u>562,643</u>
DISBURSEMENTS:					
HEADSTART FULL YEAR/PART DAY (PA22)					
Personnel	444,817	409,821	107,310	517,131	504,810 358,300
Fringe benefits	248,326	127,265	32,351	159,616	185,504 91,783
Travel	9,329	418	5,809	6,227	- 305
Equipment	39,897	271	1,619	1,890	6,000 4,479
Supplies	34,000	24,051	17,751	41,802	39,731 22,908
Contractual	7,000	4,501	8,368	12,869	3,000 4,394
Other	500	-	-	-	1,000 288
Building repair and maintenance	-	-	-	-	32,260 -
In-kind utilized	195,967	195,967	-	195,967	189,643 189,643
Totals	<u>979,836</u>	<u>762,294</u>	<u>173,208</u>	<u>935,502</u>	<u>961,948</u> <u>672,100</u>
TRAINING AND TECHNICAL ASSISTANCE (PA 20)					
Contractual	4,000	1,953	290	2,243	4,000 2,800
Travel	9,329	5,049	6,037	11,086	14,529 4,689
Totals	<u>13,329</u>	<u>7,002</u>	<u>6,327</u>	<u>13,329</u>	<u>18,529</u> <u>7,489</u>
Total disbursements	<u>993,165</u>	<u>769,296</u>	<u>179,535</u>	<u>948,831</u>	<u>980,477</u> <u>679,589</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>\$ -</u>	<u>\$ (329)</u>	<u>\$ 329</u>	<u>\$ -</u>	<u>\$ -</u> <u>\$ (116,946)</u>
CASH AND CASH EQUIVALENTS (DEFICIENCY), JUNE 30, 2005					\$ (116,946)
ACCOUNTS RECEIVABLE					<u>116,946</u>
FUND BALANCE, JUNE 30, 2005					<u>\$ -</u>

**ASHLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Expenditures
U.S. Department of Education				
Passed through State Department of Education:				
Title I	84.010	0531-04-01	\$ 992,721	\$ 202,454
Title I	84.010	0531-05-01	1,154,206	944,245
Migrant	84.013	0352-04-02	33,388	11,017
Migrant	84.011	0352-05-02	58,308	33,905
IDEA, Part B	84.027	0581-05-02	630,502	65,985
IDEA, Part B	84.027	0581-04-02	565,537	378,076
IDEA, Part B, Preschool Grant Program	84.173	0587-03-02	42,334	36,624
IDEA, Part B, Preschool Grant Program	84.173	0587-04-02	44,176	26,043
Early Childhood Assessments	84.173	0587-04-02	2,000	1,938
IDEA B, Regional Training Center	84.173A	0587-05-03	242,970	185,104
Summer Conference Fund	84.173A	0587-04a-01	56,000	4,610
IDEA B, Regional Training Center	84.173A	0587-04-03	242,470	52,679
Title V	84.298	0533-05-02	13,948	13,948
Title IV	84.186	0590-04-02	26,816	6,571
Title IV	84.186	0590-05-02	26,627	19,973
Comprehensive School Reform Grant	84.332	0355-03-02	104,749	14,491
Comprehensive School Reform Grant	84.332	0355-04-02	104,749	86,121
Technology Literacy Challenge	84.318	0736-04-02	24,096	3,752
Enhancing Education through Technology	84.318	0736-03c-02	120,000	9,350
Technology Literacy Challenge	84.318	0736-05-02	26,677	24,921
Teacher Quality	84.367	0710-05-02	249,531	179,893
Teacher Quality	84.367	0710-04-02	253,927	60,929
Even Start Family Lit	84.213	0588-04-02	75,000	26,963
Even Start Family Lit	84.213	0588-05-02	75,000	57,322
Vocational Education, Title IIC	84.048	5462-04c-32	117,245	107,358
Vocational Education, Title IIC	84.048	5462-04-32	2,240	1,596
Vocational Education, Title IIC	84.048	5462-04-32	50,042	399
Vocational Education, Title IIC	84.048	5462-05-32	46,569	45,405
Vocational Education, Title IIC	84.048	5462-03-32	1,090	363
				<u>2,602,035</u>
Passed through Big Sandy ADD:				
Adult Basic Education - Boyd Works	93.558	-	58,109	<u>56,976</u>
Passed through Boyd County Schools:				
21st Century	84.287	-	216,215	71,416
21st Century	84.287	-	99,277	<u>66,328</u>
				<u>137,744</u>
Total U.S. Department of Education				<u>2,796,755</u>

**ASHLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2005**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture</u>				
Passed through State Department of Education:				
National School Child Care Program	10.558	0579-04-21	-	1,886
National School Child Care Program	10.558	0579-05-21	-	5,435
National School Lunch Program	10.555	0575-04-02	-	148,659
National School Lunch Program	10.555	0575-05-02	-	379,260
National School Breakfast Program	10.553	0576-04-05	-	53,743
National School Breakfast Program	10.553	0576-05-05	-	141,391
National School Summer Sponsor	10.559	0569-04-24	-	3,372
National School Summer Meal	10.559	0579-04-23	-	32,486
				<u>766,232</u>
Passed through State Department of Agriculture:				
Commodities Program	10.569		-	67,151
Total U.S. Department of Agriculture				<u>833,383</u>
<u>U.S. Department of Health and Human Services</u>				
Direct Programs:				
Headstart	93.600	-	783,870	179,535
Headstart	93.600	-	790,834	679,589
Total U.S. Department of Health and Human Services				<u>859,124</u>
<u>U.S. Department of Defense</u>				
Direct Program:				
ROTC	12.630	-	-	42,619
Total expenditures of Federal awards				<u>\$ 4,531,881</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the activity of the District's federal award programs presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2005, commodities on hand are included in the total inventory of \$43,762.



Kelley,
Galloway &
Company, PSC

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Kentucky State Committee for
School District Audits
Members of the Board of Education
Ashland Independent School District
Ashland, Kentucky

We have audited the financial statements of the Ashland Independent School District (the "District") as of and for the year ended June 30, 2005, and have issued our report thereon dated August 17, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract - General Audit Requirements* and *Appendix II to the Independent Auditor's Contract - State Audit Requirements*, and *Appendix III to the Independent Auditor's Contract - Electronic Submission*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted another matter involving compliance that we have reported to management of the Ashland Independent School District in a separate letter dated August 17, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, and other matters noncompliance with which could have a direct

and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of noncompliance of specific state statutes or regulations identified in Appendix II of the *Independent Auditor's Contract - State Audit Requirements*, and Appendix III to the *Independent Auditor's Contract - Electronic Submission*.

This report is intended solely for the information of the Board and management of the District, the Kentucky Department of Education, and federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified users.

Kelley Holloway & Company, PSC

August 17, 2005



Kelley,
Galloway &
Company, PSC

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Kentucky State Committee for
School District Audits
Members of the Board of Education
Ashland Independent School District
Ashland, Kentucky

Compliance

We have audited the compliance of the Ashland Independent School District (the "District") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our

opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Board and management of the District, the Kentucky Department of Education, and federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified users.

Kelley, Galloway & Company, PSC

August 17, 2005

ASHLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

(A) SUMMARY OF AUDIT RESULTS

- An unqualified opinion was issued on the basic financial statements.
- The audit of the basic financial statements of Ashland Independent School District as of and for the year ended June 30, 2005, disclosed no internal control related reportable conditions.
- The audit did not disclose any noncompliance, which is material to the basic financial statements of the Ashland Independent School District as of and for the year ended June 30, 2005.
- There were no reportable conditions in internal control over major programs.
- An unqualified opinion was issued on compliance over major programs.
- The audit did not disclose any findings and questioned costs related to federal awards.
- The District had the following major programs for the year ended June 30, 2005:

Headstart - CFDA # 93.600

IDEA-B Cluster - CFDA # 84.027 & # 84.173

Food Service Cluster - CFDA #10.558, #10.555, #10.553, & # 10.559

Title I - CFDA #84.010

- The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- The District qualified as a low-risk auditee under OMB Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*.

(B) FINDINGS RELATING TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

None in the current year.

(C) FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

There were none in the current year.

ASHLAND INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005

There were no findings in the prior year.

ASHLAND INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2005

NAME OF CONTACT PERSON

Kirby Hall (606) 327-2722

CORRECTIVE ACTION PLAN

No corrective action plan needed in the current year.



Kelley,
Galloway &
Company, PSC

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Ashland Independent School District
Ashland, Kentucky

In planning and performing our audit of the financial statements of Ashland Independent School District (the "District") for the year ended June 30, 2005, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated August 17, 2005, contains our report on internal control over financial reporting which disclosed no internal control related matters which were considered to be material weaknesses. This letter does not affect our report dated August 17, 2005, on the financial statements of the District.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Kelley, Galloway & Company, PSC

August 17, 2005

ASHLAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2005

Verity Middle School

We believe that controls over cash disbursements could be improved by performing the following procedures when paying bills at Verity Middle School:

- Cancel invoices by indicating the date paid, check number, etc. on the invoice.
- Have the person signing the check initial the invoice to indicate review of the invoice.
- File paid invoices in a manner that makes them easily accessible, preferably in check number order.

These procedures will help prevent unauthorized payment of invoices or invoices being paid twice.